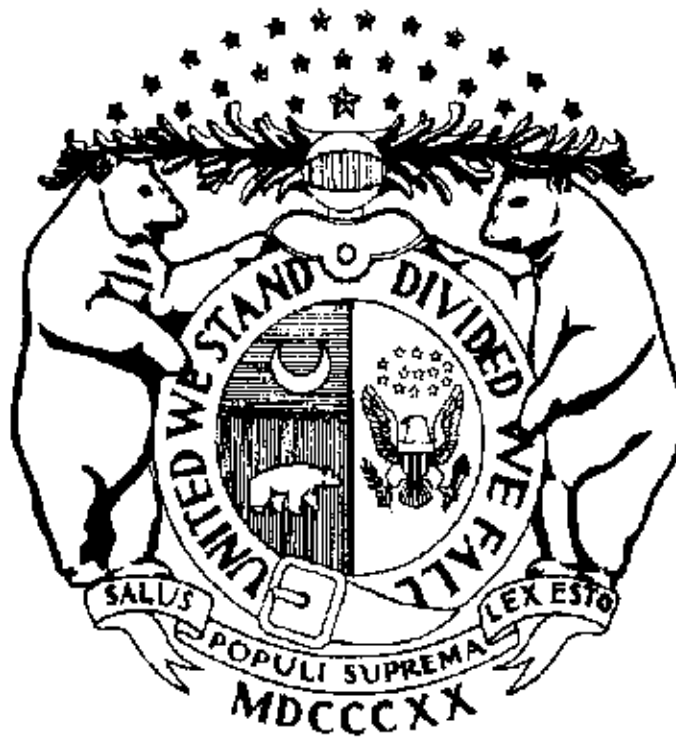


**REPORT OF THE
ASSOCIATION FINANCIAL EXAMINATION OF
GENERALI USA LIFE
REASSURANCE COMPANY**

**AS OF
DECEMBER 31, 2004**



**STATE OF MISSOURI
DEPARTMENT OF INSURANCE
JEFFERSON CITY, MISSOURI**

TABLE OF CONTENTS

SCOPE OF EXAMINATION	2
PERIOD COVERED	2
PROCEDURES	2
COMMENTS - PREVIOUS EXAMINATION	3
HISTORY	3
GENERAL	3
CAPITAL STOCK.....	4
DIVIDENDS	4
MANAGEMENT.....	4
CONFLICT OF INTEREST	6
CORPORATE RECORDS	7
ACQUISITIONS, MERGERS AND MAJOR CORPORATE EVENTS	7
SURPLUS DEBENTURES	7
AFFILIATED COMPANIES	8
HOLDING COMPANY, SUBSIDIARIES AND AFFILIATES	8
ORGANIZATIONAL CHART	9
INTERCOMPANY TRANSACTIONS	10
FIDELITY BOND AND OTHER INSURANCE.....	11
PENSION, STOCK OWNERSHIP AND INSURANCE PLANS.....	12
STATUTORY AND OTHER DEPOSITS.....	13
DEPOSITS WITH THE STATE OF MISSOURI	13
DEPOSITS WITH OTHER STATES	13
INSURANCE PRODUCTS AND RELATED PRACTICES	14

TERRITORY AND PLAN OF OPERATION.....	14
POLICY FORMS & UNDERWRITING.....	15
ADVERTISING & SALES MATERIALS	15
TREATMENT OF POLICYHOLDERS	15
REINSURANCE	16
GENERAL	16
ASSUMED.....	17
CEDED	19
ACCOUNTS AND RECORDS.....	20
GENERAL	20
LOSS RESERVES	21
FINANCIAL STATEMENTS.....	21
ASSETS	22
LIABILITIES, SURPLUS AND OTHER FUNDS	23
SUMMARY OF OPERATIONS.....	24
CAPITAL AND SURPLUS ACCOUNT	25
NOTES TO THE FINANCIAL STATEMENTS	25
EXAMINATION CHANGES.....	25
GENERAL COMMENTS AND/OR RECOMMENDATIONS	25
ACKNOWLEDGMENT	27
VERIFICATION	27
SUPERVISION.....	28

Kansas City, Missouri
October 11, 2005

Honorable Alfred W. Gross, Commissioner
Virginia Bureau of Insurance
Chairman of Financial Condition (EX4) Subcommittee
Southeastern Zone Secretary

Honorable Jorge Gomez, Commissioner
Wisconsin Department of Insurance
Midwestern Zone Secretary

Honorable W. Dale Finke, Director
Missouri Department of Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65102-0690

Gentlemen:

In accordance with your financial examination warrant, a full scope association financial examination has been made of the records, affairs and financial condition of

Generali USA Life Reassurance Company

hereinafter referred to as such, as Generali USA Life, or as the Company. Its administrative office is located at 8330 Ward Parkway, Kansas City, Missouri 64114, telephone number 816-412-3600. This examination began on June 20, 2005, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

This is the first examination of Generali USA Life Reassurance Company under its current name and since its redomestication to the State of Missouri. This current full scope association financial examination covers the period from January 1, 2003, through December 31, 2004, and has been conducted by examiners from the State of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC), with no other zone participating.

This examination also included the material transactions and/or events occurring subsequent to the examination date, which are noted in this report.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the NAIC, except where practices, procedures and applicable regulations of the Missouri Department of Insurance (MDI) and statutes of the State of Missouri prevailed.

The examiners relied upon information and workpapers provided by the Company's independent auditor, PricewaterhouseCoopers LLP, of Kansas City, Missouri, for its audit covering the period from January 1, 2004, through December 31, 2004. Such reliance included use of confirmation workpapers for investments and cash account statements and internal control review workpaper documentation.

Comments - Previous Examination

This is the first financial examination of the Company since its redomestication to the State of Missouri. The Company was last examined under its previous name, Clarica Life Reinsurance Company as of December 31, 1998, by the Michigan Insurance Bureau. In addition, for the majority of the time between the prior examination and December 2003, when the Company became a State of Missouri domestic, the Company was a shell without active insurance or reinsurance operations. Therefore, it is highly unlikely that any adverse findings from the prior examination would have any relevance to the current period under examination.

HISTORY**General**

The Company was originally organized in the State of Delaware under a certificate of incorporation dated July 13, 1982, as The Mercantile and General Life Reassurance Company of America. The Company was later redomesticated to the State of Michigan on December 29, 1993, under a different name [Clarica Life Reinsurance Company]. On May 31, 2002, the Company was acquired one hundred percent by Assicurazioni Generali, S.p.A., (AG), Italy's largest insurer.

On August 28, 2003, the Company's name was changed to Generali USA Life Reassurance Company, and on December 30, 2003, the Company was re-domiciled to the State of Missouri. On June 2, 2004, AG, the ultimate parent of Generali USA Life, contributed all the issued and outstanding stock of the Company to Generali U.S. Holdings, Inc., a Delaware corporation that is wholly owned by AG.

The Company's recent history and current operating model stems from the sale of Business Men's Assurance Company of America (BMA). On May 1, 2003, BMA was sold by its then parent, AG, with AG retaining BMA's reinsurance operation. In conjunction with this sale, Generali USA Life completed an assumption agreement whereby it assumed the entire block of insurance from BMA's reinsurance division that was retained by AG after the sale of BMA. The Company operates as a stock life and health insurance company under Missouri Law at Chapter 376 RSMo (Life, Health and Accident Insurance) primarily offering reinsurance contracts.

Capital Stock

The Company is authorized to issue 10,000 shares of \$1,000 par value common stock. As of December 31, 2004, all of the 10,000 shares of \$1,000 par value common stock were issued and outstanding for a balance of \$10,000,000 in the Company's common stock capital account. As of December 31, 2004, all of the issued and outstanding shares of the Company were owned by Generali U.S. Holdings, Inc. (Generali Holdings), who in turn, is one hundred percent owned by Assicurazioni Generali, S.p.A., (AG), an Italian corporation.

Dividends

The Company did not declare or pay any dividends to the sole shareholder during the period under examination.

Management

The Articles of Incorporation and Bylaws require a minimum of nine (9) directors to be elected to the Board of Directors. The Board of Directors elected and serving as of December 31, 2004, were as follows:

<u>Name</u>	<u>Address</u>	<u>Principal Occupation and Business Affiliation</u>
Giorgio Balzer	Kansas City, Missouri	Chairman of the Board, Generali USA Life
Thomas M. Bloch*	Kansas City, Missouri	Retired President & CEO, H&R Block, Inc.
Mel G. Carvil	Trieste, Italy	Director, Assicurazioni Generali, S.p.A.
Alessandro Corsi	Trieste, Italy	Area Manager, Assicurazioni Generali, S.p.A.
David L. Higley*	Overland Park, Kansas	Retired Senior VP and Chief Financial Officer, Business Men's Assurance Co. of America
Allan D. Jennings*	Leawood, Kansas	Retired Business Executive
Jonathan M. Kemper*	Kansas City, Missouri	Chairman & CEO, Commerce Bank, N.A.
Manlio Lostuzzi	Trieste, Italy	Assistant General Manager, Assicurazioni Generali, S.p.A.
John P. Mascotte*	Aspen, Colorado	Retired Business Executive

*These directors were removed effective March 1, 2005, and were replaced by John C. Brueckner, Christopher J. Carnecilli, David A. Gates, Jay B. Kinnamon and John Martini, effective as of the same date. Also, as of January 1, 2005, Edward S. Ritter was elected to the Board of Directors.

The Company's Bylaws authorize an Executive Committee and any other committees that may be needed. Each committee must consist of two or more directors of the Company. The established committees and the members elected and serving as of December 31, 2004, were as follows:

Executive Committee

Giorgio Balzer
Thomas M. Bloch
David Higley

Finance and Audit Committee

David Higley
Jonathan Kemper
John P. Mascotte

Compensation Committee

Thomas M. Bloch
Allan D. Jennings
John P. Mascotte

Following the changes in the make up of the Board on March 1, 2005, the Committees of the Board were reconstituted with following Board members serving as of March 1, 2005:

Executive Committee

Edward Ritter
Jay B. Kinnamon
David Gates

Finance and Audit Committee

Mel G. Carvil
Alessandro Corsi
Manlio Lostuzzi

Compensation Committee

Mel G. Carvil
 Alessandro Corsi
 Manlio Lostuzzi

The officers elected and serving as of December 31, 2004, were as follows:

<u>Name</u>	<u>Office</u>
Giorgio Balzer	Chairman of the Board
Edward S. Ritter	President and CEO
Jay B. Kinnamon	Senior VP-CFO & Chief Actuary and Assistant Treasurer
William M. Crouch	Senior VP-Operations & Technology and Assistant Secretary
Terry D. Dickinson	Senior VP-Group Reinsurance
J.C. Brueckner	Senior VP-Sales & Marketing
Tamora A. Kapeller	VP-Marketing & Research
David A. Gates	Senior VP-General Counsel & Secretary
Charlotte Lee	VP-Chief Medical Officer
Myron K. Lutz	VP-Information Technology
Michael J. Lynch	VP-Treasurer, Controller & Assistant Secretary
James R. Makin	VP-Chief Pricing Actuary
Randall E. Meyer	VP-Financial Actuary
Richard J. Swetala	VP-Underwriting
Todd L. Tretsven	VP-Group Actuary
Lesia R. Troesser	VP-Human Resources & Corporate Services

Conflict of Interest

Generali USA Life has a corporate ethics conduct statement with a conflict of interest component. However, during the period under examination the officers and directors of the Company did not sign the statement. In addition the statement as presently constructed, does not compel the officers and directors to disclose and sign the statement on any predetermined basis.

The Company is directed to revise its corporate ethics conduct statement to require annual disclosure and signature by its officers and directors.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed for the period under examination. Both the Articles of Incorporation and the Bylaws were restated to reflect statutory changes following the redomestication of the Company to Missouri in 2003.

The minutes of the Board of Directors' meetings, committee meetings, and sole shareholder meetings were reviewed for proper approval of corporate transactions. In general, the minutes appear to properly reflect and approve the Company's major transactions and events for the period under examination.

Acquisitions, Mergers and Major Corporate Events

On May 1, 2003, Clarica Life Reinsurance Company, the predecessor name to Generali USA Life Reassurance Company, entered into an assumption reinsurance agreement with Business Men's Assurance Company of America (BMA). Pursuant to the terms of the agreement, Generali USA Life assumed the entire block of BMA's reinsurance operations as of the date of the agreement. The pricing for the assumed block resulted in the recognition of goodwill by the Company of approximately \$100 million. The Company is currently amortizing the goodwill in accordance with applicable statutory accounting standards.

Surplus Debentures

No surplus debentures were issued or outstanding for the period under examination.

AFFILIATED COMPANIES

Holding Company, Subsidiaries and Affiliates

The Company is a member of an Insurance Holding Company System as defined by Section 382.010, RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by the Company for itself during the period under examination.

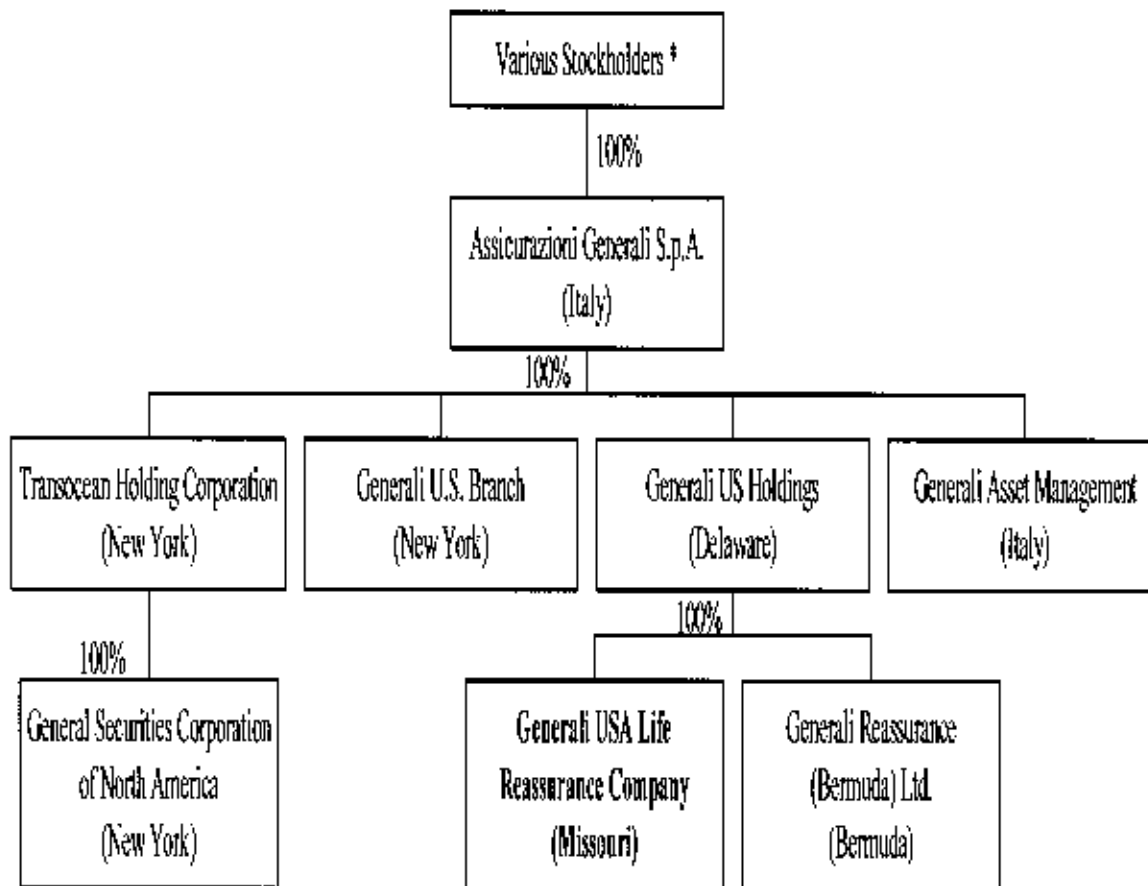
Generali USA Life Reassurance Company is ultimately owned by Assicurazioni Generali S.p.A, (AG) an Italian corporation headquartered in the city of Trieste, Italy. On June 2, 2004, AG contributed all the issued and outstanding stock of the Company to Generali U.S. Holdings, Inc., (Generali Holdings) a Delaware corporation that is in turn, wholly owned by AG, making Generali Holdings the Company's immediate parent.

Assicurazioni Generali S.p.A, the ultimate controlling person within the holding company system is an international conglomerate, comprising over 150 companies (operating in 40 countries, predominantly in Europe) consisting primarily of insurance companies, financial services companies, and banks. AG is a stock company that is publicly traded in Italy and on the European financial stock exchange. The Company's main transactions within AG were those related to reinsurance transactions and investment advisory services.

The Company's immediate parent, Generali Holdings, also owns Generali Reassurance (Bermuda), Ltd., an affiliate and major reinsurance partner of the Company.

Organizational Chart

The ultimate parent, AG, has hundreds of subsidiaries, which are too numerous to list in this report. Therefore, only entities that have direct and indirect ownership of Generali USA Life and entities that have transactions with Generali USA Life are listed. The following organizational chart depicts Generali USA Life's ownership and affiliates, as of December 31, 2004:



* Assicurazioni General S.p.A. is a publicly traded stock company in Italy and the European Union financial markets.

Intercompany Transactions

Generali USA Life Reassurance Company has the following agreements with its affiliated companies:

1. **Type:** Reinsurance Agreement
 Parties: Generali USA Life Reassurance Company and Assicurazioni Generali S.p.A. (AG)
 Effective: March 14, 2003
 Terms: AG entered into a reinsurance agreement with BMA on January 1, 1996. This agreement was then terminated to new business on December 31, 1998. This agreement was novated to the Company on March 14, 2003. This agreement is currently on run-off.

2. **Type:** Reinsurance Agreement
 Parties: Generali USA Life Reassurance Company and Generali Reassurance (Bermuda) Ltd.
 Effective: July 1, 2003
 Terms: This agreement has been summarized in the Reinsurance Section of this report.

3. **Type:** Service and Cost Sharing Agreement
 Parties: Generali USA Life Reassurance Company and the Generali US Branch of AG
 Effective: April 15, 2004
 Terms: Under the terms of the agreement, the US Branch of Assicurazioni Generali S.p.A. (US Branch) agrees to provide the services of Giorgio Balzer to Generali USA Life Reassurance Company. Generali USA Life Reassurance Company then agrees to reimburse the US Branch of Assicurazioni Generali S.p.A. for 100% of Mr. Giorgio Balzer's salary and benefits. Amounts due pursuant to the agreement are to be settled as agreed to by the parties but no later than December 31 of each year. This agreement was terminated on April 1, 2005, following the retirement of Mr. Balzer.

4. **Type:** Investment Advisory Agreement
- Parties:** Generali USA Life Reassurance Company and Generali Asset Management
- Effective:** April 9, 2004
- Terms:** Under the terms of the agreement, Generali Asset Management provides investment advisory services to the Company for a fee of 0.07% of the Company's portfolio value.

The amounts (paid) to and received from subsidiaries and affiliates during the period under examination under the above agreements were as follows:

	<u>2004</u>	<u>2003</u>
Payments under reinsurance agreement to Assicurazioni Generali S.p.A.	\$(595,952)	\$(520,668)
Payment under reinsurance agreement to Generali Reassurance (Bermuda) Ltd.	(135,650,473)	(149,424,109)
Payment to Generali Asset Management for Investment Advisory Services	(259,686)	0
Payment to Generali U.S. Branch under Service and Cost Sharing Agreement	<u>(525,936)</u>	<u>(320,000)</u>
Net Amount (Paid)/Received	<u>\$(137,032,047)</u>	<u>\$(150,264,777)</u>

In addition to the transactions summarized above, on May 1, 2003, the Company received a one-time capital contribution from Assicurazioni Generali S.p.A., its ultimate parent, in the amount of \$289,000,000.

FIDELITY BOND AND OTHER INSURANCE

Generali USA Life Reassurance Company is insured as a separate legal entity on a financial institution bond with a liability limit of \$3,000,000 and a \$10,000 deductible. This

level of coverage complies with the suggested minimum amount of fidelity insurance according to NAIC guidelines.

The Company is also a named insured under a number of other insurance policies, which include, but are not limited to, umbrella coverage, excess liability, commercial automobile, legal liability, property, fiduciary and workers compensation coverages.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

A variety of standard benefits are provided to the Company's employees. These benefits include, but are not limited to, health insurance, dental insurance, life insurance, disability insurance, vision plan, and a 401(k) savings plan. Eligible employees who retire from active employment are entitled to postretirement benefits.

A defined benefit pension plan is provided for all salaried employees to supplement Social Security retirement benefits. Participants are fully vested after 5 years of service; retirement benefits are calculated using base pay.

A supplemental pension plan that was available to senior executives of BMA has also been transferred to the Company. This supplemental pension plan provides for a monthly pension payment upon retirement of an active eligible employee based on the employee's total compensation.

In addition, a deferred compensation plan is also available to senior executive officers [all management or highly compensated employees who reach the level of senior executive officer as determined by the Compensation Committee of the Board of Directors], which allows for deferrals of a minimum of 5% up to a maximum 75% of base salary.

Short-term and long-term compensation incentives are also provided to the senior staff based on achievement of established increases in the Company's "Embedded Value."

The Company had an unrecognized or "off balance sheet" liability for its post-retirement benefit plans. This unrecognized liability results from the difference between the actual funded status of the plans and the assets or liabilities that were recorded in accordance with Statements of Statutory Accounting Principles (SSAP). The unrecognized liability is as follows:

Plan	Unfunded Amount as of 12/31/04	Liability Recorded as of 12/31/04	Unrecognized Liability
Defined Benefit Pension	\$3,638,992	\$3,638,992	\$0
Supplemental Pension	\$2,092,593	\$2,092,593	\$0
Post-Retirement Benefits	\$666,571	\$525,059	\$141,512

STATUTORY AND OTHER DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance as of December 31, 2004, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with Section 376.290 RSMo (Trust Deposits). The Company's required deposit for Missouri was \$600,000. The funds on deposit as of December 31, 2004, were as follows:

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
U.S. Treasury Notes	\$2,000,000	\$1,931,800	\$2,028,050

Deposits with Other States

The Company also has funds on deposit with other states in which it is licensed. Those funds on deposit as of December 31, 2004, were as follows:

<u>State</u>	<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
Arkansas	U.S. Treasury Notes	\$105,000	\$101,747	\$106,473
Georgia	Money Market Funds	100,357	100,357	100,357
Massachusetts	U.S. Treasury Notes	<u>200,000</u>	<u>193,804</u>	<u>202,805</u>
Total		<u>\$405,357</u>	<u>\$395,908</u>	<u>\$409,635</u>

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company is licensed by the Missouri Department of Insurance under Chapter 376 RSMo (Life and Health), to write the business of life and accident and health insurance. The Company is also licensed in twenty-five other states, and is an accredited reinsurer in the remaining twenty-four states and the District of Columbia as follows:

Licensed States

Arkansas	Illinois	Mississippi	Oregon
California	Indiana	Missouri	Tennessee
Delaware	Iowa	Nevada	Texas
Florida	Kansas	New Jersey	Utah
Georgia	Louisiana	Ohio	Washington
Hawaii	Massachusetts	Oklahoma	Wisconsin
Idaho	Michigan		

Accredited States

Alabama	Maine	New Mexico	South Carolina
Alaska	Maryland	New York	South Dakota
Arizona	Minnesota	North Carolina	Vermont
Colorado	Montana	North Dakota	Virginia
Connecticut	Nebraska	Pennsylvania	West Virginia
Dist. Columbia	New Hampshire	Rhode Island	Wyoming
Kentucky			

The Company is focused on traditional life mortality reinsurance and derives the majority of its new business from a number of large U.S. direct writers. The Company is currently expanding its group life and accident and health reinsurance business.

The ultimate controlling entity of the Company, Assicurazioni Generali, S.p.A., (AG) was active in the U.S reinsurance market during the examination period through its ownership of Business Mens's Assurance Company of America (BMA). Although AG's interest in BMA has been sold; the reinsurance business segment of BMA was retained and transferred to the Company during the second quarter of 2003. This transfer, in the form of an assumption reinsurance agreement, formed the basis of the Company's reinsurance operations.

Operationally, the Company relies on an in-house marketing staff to develop and maintain relationships with various direct writers and retrocessionaires.

Policy Forms & Underwriting

Advertising & Sales Materials

Treatment of Policyholders

The Missouri Department of Insurance has a market conduct staff, which performs a review of these issues and generates a separate market conduct report. During the period under examination, no such examination was conducted by the MDI. As the Company writes only reinsurance contracts (and does not deal directly with the insurance buying public), generally no market conduct examinations will be scheduled or performed.

REINSURANCE

General

The Company's business consists of reinsurance of individual life contracts and associated term riders written primarily by life insurance companies domiciled in the United States. The majority of the business is reinsured on a yearly renewable term or coinsurance basis through individual cessions or self-administered manual or electronic data transfer. The business may be assumed through excess of retention or quota share arrangements. Approximately 90% of the Company's business is generated from automatic cessions with the remaining 10% from facultative cessions.

A full range of products are reinsured, with the majority consisting of Annual Renewable Term (ART), level term products (including term products designed by Generali USA Life in conjunction with the reinsured), universal life and whole life coverage. A significant portion of the business is assumed by Generali USA Life in the form of one-year renewable term insurance, either through Yearly Renewable Term (YRT) reinsurance or through coinsurance of ART products or the universal life net amount at risk, using cost of insurance rates. Coinsurance of level term is also a significant part of Generali USA Life's business.

The ten largest reinsureds generate approximately 50% of the business of the Company by premium volume. The Company assumes business from approximately 280 companies with 187 companies actively writing business at December 31, 2004. During the examination period, the Company entered into 62 new assumed treaties and 12 retrocession treaties.

The Company's premium activity on a direct written, assumed and ceded basis, for the period under examination, is detailed below:

	<u>2004</u>	<u>2003</u>
Direct Business	\$0	\$0
Reinsurance Assumed:		
Affiliates		
Non-affiliates	427,323,828	754,560,101
Reinsurance Ceded:		
Affiliates	(136,246,425)	(149,944,777)
Non-affiliates	<u>(57,814,889)</u>	<u>(126,250,659)</u>
Net Premiums Assumed	<u>\$233,262,514</u>	<u>\$478,364,665</u>

Assumed

As previously indicated, the Company assumes business from a large number of companies under various reinsurance treaties. Presented below is a summary of some of the major reinsurance treaties, which were active during this examination period. It should be noted that automatic treaties typically allow for facultative business submissions as well:

- Effective February 4, 2002, the Company entered into a first dollar automatic coinsurance treaty with Transamerica Occidental Life Insurance Company (Transamerica). The business written is a term product sold in the USA and Hong Kong. Transamerica cedes 90% of the amount of insurance issued up to its retention, and 100% of the excess over its retention according to age, rating and type. The treaty is segregated into two tiers, with the Company assuming specific percentages from tiers 1 and 2, respective. This treaty was terminated on December 31, 2003, for new business.
- The Company has an automatic coinsurance treaty with Savings Bank Life Insurance Company of Massachusetts (Savings Bank), effective September 1, 1999, for level term products. Savings Bank retains 65% of every policy written up to its retention before ceding the excess to Generali USA Life. This treaty was cancelled for new business effective June 30, 2005.
- An automatic coinsurance treaty, effective December 1, 2002, was entered into between Protective Life Insurance Company (Protective) and the Company to reinsure individual level term life policies. Protective retains 10% of the first dollar quota share of the net amount at risk for each policy up to its retention limit. Generali USA Life assumes 20% of the net amount at risk ceded on an automatic basis. This treaty was amended so that no new business will be reinsured after or on November 1, 2004.

- Effective June 1, 1999, the Company entered into an automatic YRT self-administered treaty with Primerica Life Insurance Company (Primerica). The product reinsured is an individual level term life product up to 30 years with an Increasing Benefit Rider, (IBR). Substandard business is also written. Primerica retains 10% of each risk up to retention. The Company also participates on the substandard business.
- The Company entered into an automatic first and second excess treaty with First Penn Pacific Life Insurance Company (First Penn), effective November 26, 2001. The products are various individual term life policies 10 to 30 years in duration. First Penn retains 10% of all risks up to its retention limits. Maximum retention on any one life is \$1,000,000 under both treaties. Generali USA Life participates from 10% to 30% of the excess in each treaty depending on policy type and term.
- Generali USA Life has a facultative YRT treaty with Northwestern Mutual Life Insurance Company (Northwestern Mutual) effective January 22, 2001. Northwestern Mutual writes a variety of products: single life fixed and variable, permanent and term. Northwestern Mutual's retention percentages and limits vary with the class of policies.
- The Company assumed an automatic coinsurance treaty with AAA Life Insurance Company (AAA Life) effective July 1, 2000. The products written are 10 and 20-year level term policies with guaranteed rates. AAA Life's retention on standard business is 10% of each risk, up to \$200,000 for all ages. Generali USA Life assumes a percentage of each ceded policy above the retention limits.
- An assumption reinsurance and coinsurance agreement, effective May 1, 2003, was entered into between Business Men's Assurance Company of America (BMA) and Clarica Life Reinsurance Company (Clarica), the predecessor name of the Company. As part of this agreement, Generali USA Life assumed all of BMA's reinsurance operation.

The agreement established a method for BMA to grant Generali USA Life all rights, assets and liabilities under the assumed and ceded treaties through a process of novation agreements. In addition, BMA cedes and Generali USA Life assumes under a 100% coinsurance basis, all rights, assets and liabilities under assumed treaties for which novation agreements were not obtained. All non-novated treaties will be included in Schedule S, Part 1 of the Annual Statement, as part of the line for assumed BMA treaties and novated treaties will be shown as individual reinsureds in Schedule S, Part 1.

The following table reflects the transaction of the assumption reinsurance and coinsurance agreement on Generali USA Life's financial statements. The excess of the net liabilities assumed over the cash transferred in connection with the reinsurance agreement, in the amount of \$99,647,000, was established as goodwill and admitted in the Company's Annual Statement per the guidance in Statements of Statutory Accounting Principles #68, "Business Combinations and Goodwill":

Total Cash Received	\$251,519,000
Net Liabilities Assumed	<u>(351,166,000)</u>
Excess Liabilities over Assets Assumed	<u>(\$99,647,000)</u>

Ceded

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement.

The Company has entered into various special quota share retrocession arrangements for the cession of selected life business, the most being term life products.

The primary excess pool is called the Automatic Excess Pool. The majority of the Company's overall assumed business; with net amounts at risk exceeding \$1,000,000 go into this pool. The Company retains the first \$1,000,000, graded down for higher ages and underwriting ratings and any excess up to a specified amount goes to the pool for distribution. It is composed of the following carriers.

Reinsurer *	Pool Share	
	2003	2004
The US Branch of Sun Life Assurance Company	30%	33%
The Manufacturers Life Insurance Company	36	30
Royal Bank of Canada Insurance Company Ltd.	26	13
Equitable Life Assurance Society	0	16
Great West Life and Annuity Company	8	8
Total	<u>100%</u>	<u>100%</u>

* The participants and level of participation usually change each year for new business.

The Company has entered into an automatic retrocession arrangement, effective July 1, 2003, with Generali Reassurance, (Bermuda) Ltd., (Generali Bermuda) an affiliated and unauthorized reinsurer in the state of Missouri. The majority of the Company's recently assumed coinsurance business and selected recently assumed YRT business, up to the

Company's retention of \$1,000,000 are retroceded to Generali Bermuda (policies in excess of the Company's retention are excluded from this arrangement). If the business is retroceded to Generali Bermuda, the Company will not retain any amount of the business.

The Company has entered into various special risk pools to cover business assumed and written by Northwestern Mutual Life Insurance Company.

Presented below are the major retrocessionaires and the reserve credits taken as of December 31, 2004.

<u>Name of Company</u>	<u>Current Reserve Credit Taken</u>	<u>Percentage of Total</u>
Generali Reassurance (Bermuda) Ltd.	\$409,536,376	78.43%
Transamerica International Reinsurance	55,876,896	10.70%
Reliastar Reinsurance Group	17,788,251	3.41%
Munich American Reassurance	12,476,039	2.39%
The Manufacturers Life Insurance Co.	10,439,993	2.00%
Royal Bank of Canada Ins. Company, Ltd.	5,991,383	1.15%
The US Branch of Sun Life Assurance Company	<u>5,923,422</u>	<u>1.13%</u>
Total	<u>\$518,032,360</u>	<u>99.21%</u>
All Other Reinsurers	<u>4,113,321</u>	<u>0.79</u>
Grand Total	<u>\$522,145,681</u>	<u>100.00%</u>

Acceptable Letters of Credit and Trust accounts were used to cover reserve balances totaling \$490,838,151, which were ceded to unauthorized reinsurers as of December 31, 2004. The total reserve balances ceded to all reinsurers were \$522,145,681, as of December 31, 2004.

ACCOUNTS AND RECORDS

General

Financial statements of the Company for all years under examination were audited by the CPA firm, PricewaterhouseCoopers LLP, Kansas City, Missouri.

Loss Reserves

Loss reserves of the Company were reviewed and certified by the Company's in-house actuary, Randall E. Meyer, FSA, MAAA for the years ending 2004 and 2003.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Generali USA Life for the period ending December 31, 2004. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Notes to the Financial Statements." The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual Annual Statement item.

Assets

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$521,922,837		\$521,922,837
Real Estate:			
Properties Held for Sale	114,522		114,522
Cash and Short-term Investments	45,147,035		45,147,035
Investment Income Due and Accrued	4,301,261		4,301,261
Premiums and Considerations:			
Uncollected Premiums and Agents' Balances in the Course of Collection	18,910,518	\$684,857	18,225,661
Deferred Premiums, Agents' Balances and Installments Booked and not yet Due	11,468,782		11,468,782
Amounts Recoverable from Reinsurers	10,760,438	2,515,737	8,244,701
Current Federal Income Tax Recoverable	2,000,000		2,000,000
Net Deferred Tax Asset	29,196,659	26,570,113	2,626,546
Electronic Data Processing Equipment	359,371		359,371
Furniture and Equipment	1,623,689	1,623,689	0
Receivable from Parent, Subsidiaries and Affiliates	470,830		470,830
Other Assets Non-Admitted	1,350,735	1,350,735	0
Aggregate Write-Ins for other than Invested Assets:			
Goodwill on Assumption Agreement	83,039,167	62,766,534	20,272,633
Reinsurance Receivable	804	0	804
TOTAL ASSETS	<u>\$730,666,648</u>	<u>\$95,511,665</u>	<u>\$635,154,983</u>

Liabilities, Surplus and Other Funds

Aggregate Reserve for Life Contracts	\$306,172,298
Aggregate Reserve for Accident and Health Contracts	22,681,242
Contract Claims – Life	38,166,688
Contract Claims – Accident and Health	3,890,288
Policyholders' Dividends	125,000
Premiums and Annuity Considerations Received in Advance	11,803,481
Provision for Experience Rating Refunds	(302,219)
Interest Maintenance Reserve	184,203
General Expenses Due or Accrued	6,367,810
Commissions and Expense Allowances Payable on Reinsurance Assumed	(3,079,341)
Taxes, Licenses and Fees Due or Accrued	1,259,313
Amounts Withheld or Retained	52,589
Remittances and Items Not Allocated	2,022,954
Liability for Benefits for Employees and Agents	5,549,338
Asset Valuation Reserve	<u>489,752</u>
TOTAL LIABILITIES	<u>\$395,383,396</u>
Common Capital Stock	10,000,000
Gross Paid In and Contributed Surplus	301,947,725
Unassigned Funds (Surplus)	<u>(72,176,138)</u>
Capital and Surplus	<u>\$239,771,587</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$635,154,983</u>

Summary of Operations

Premiums and Annuity Considerations	\$233,262,514
Net Investment Income	19,071,617
Amortization of Interest Maintenance Reserve	61,118
Commission and Expense Allowances on Reinsurance Ceded	59,350,460
Miscellaneous Income	<u>395,633</u>
TOTAL	<u>\$312,141,342</u>
Death Benefits	128,341,787
Disability Benefits and Benefits Under Accident & Health Policies	5,967,796
Surrender Benefits and Withdrawals for Life Contracts	270,547
Interest and Adjustments on Contracts or Deposit-type Contract Funds	867,622
Increase in Aggregate Reserves for Life and Accident & Health Policies	31,850,057
Commissions and Expense Allowances on Reinsurance Assumed	125,465,541
General Insurance Expenses	21,153,021
Insurance Taxes, Licenses and Fees	2,262,470
Increase in Loading on Deferred and Uncollected Premiums	(2,460,814)
Aggregate Write-Ins for Deductions:	
Reinsurance Assumed Reserve Transfer	<u>(439,575)</u>
Increase in Miscellaneous Reserves and Disbursements	<u>(146,988)</u>
TOTAL	<u>\$313,131,464</u>
NET GAIN FROM OPERATIONS	(\$990,122)
Dividends to Policyholders	83,092
Federal Income Taxes Incurred	<u>11,775</u>
NET INCOME	<u>(\$1,084,989)</u>

Capital and Surplus Account

Capital and Surplus, December 31, 2003	\$233,340,939
Net Income	(1,084,989)
Change in Non-Admitted Assets	11,491,757
Change in Asset Valuation Reserve	(251,250)
Change in Net Deferred Income Tax	(2,869,390)
Surplus Adjustment for Reinsurance Gains	(978,700)
Change in Liability for Reinsurance in Unauthorized Companies	<u>123,220</u>
Net Change in Capital and Surplus	<u>\$6,430,648</u>

CAPITAL AND SURPLUS, DECEMBER 31, 2004	<u>\$239,771,587</u>
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NOTES TO THE FINANCIAL STATEMENTS

None

EXAMINATION CHANGES

None

GENERAL COMMENTS AND/OR RECOMMENDATIONS

Conflict of Interest (page 6)

During the period under examination the officers and directors of the Company did not complete a conflict of interest statement. In addition the Company's conflict of interest disclosure statement as presently constructed, does not compel the officers and directors to disclose and sign the statement on any predetermined basis. The Company is directed to revise

its corporate ethics conduct statement to require annual disclosure and signature by its officers and directors.

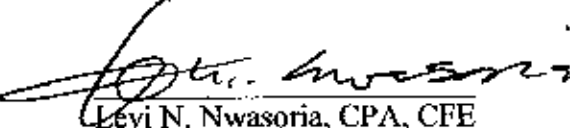
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Generali USA Life Reassurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Bernie Troop, CFE, Alvin Garon, CFE and Leslie Nehring, AFE, examiners for the Missouri Department of Insurance, also participated in this examination. Andrew Balas, CFE, AES, Computer Audit Specialist for the Missouri Department of Insurance performed a review of the information system environment. Timothy Harris, FSA, MAAA of Milliman USA, Inc., also participated as consulting actuary.

VERIFICATION

State of Missouri)
)
 County of)

I, Levi N. Nwasoria, CPA, CFE on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.


 Levi N. Nwasoria, CPA, CFE
 Examiner-In-Charge
 Missouri Department of Insurance

Sworn to and subscribed before me this 27th day of October, 2005.

My commission expires:

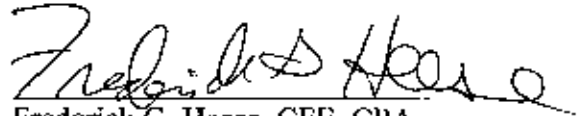
12-9-07


 Notary Public



SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

A handwritten signature in black ink, appearing to read "Frederick G. Heese", is written over a horizontal line.

Frederick G. Heese, CFE, CPA

Audit Manager

Missouri Department of Insurance